

## FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

This function includes those activities designed to promote the acquiring of knowledge and skills, to provide social services for needy individuals, and for research directly related to these program areas. In general, the activities funded by this function are administered through the Departments of Labor, Health and Human Services, and Education.

(\$ Billions)							
	1998 Actuals	1999	2000	2001	2002	2003	2004
<b>President's budget:</b>							
Budget authority	61.0	60.9	65.3	67.5	67.0	69.0	70.2
Outlays	54.9	60.1	63.4	67.8	66.9	68.7	70.0
<b>Current Services:</b>							
Budget authority	---	60.9	66.4	67.6	68.4	71.6	73.7
Outlays	---	60.1	64.6	66.1	66.0	69.0	71.0
<b>Budget compared to Current Services:</b>							
Budget authority	---	+0.0	-1.2	-0.1	-1.4	-2.6	-3.5
Outlays	---	+0.0	-1.3	+1.6	+0.9	-0.3	-1.0

- ▶ For **Function 500**, the President is requesting \$65.3 billion for 2000, with funding growing slightly thereafter, but below the rate of inflation for every year through 2004.

### Department of Education Programs

- ▶ In total for the Department of Education, the President is requesting \$36.3 billion for 2000, a \$2 billion increase compared to the 1999 level. Of the total request, \$32.8 billion is for discretionary programs, a 14 percent increase compared to 1999 levels. The balance of the request is \$3.5 billion for mandatory programs, a 36 percent decrease compared to the 1999 level.
- ▶ In the outyears, however, the President proposes to level fund or reduce virtually every education program in the Department of Education through 2009 -- with the exception of the Salaries and Expenses Account which is projected to increase by 39 percent.
- ▶ In order, in part, to increase discretionary spending, the President's Budget proposes savings of \$4.6 billion from the **Federal Family Education Loan Program (FFEL)**, the program of guaranteed student loans through which 70 percent of student loan borrowers participate.

- ▶ Within the **Department of Education**, the President is proposing **at least nine new programs totaling \$244 million**.

New programs include:

Adult Education initiative (focusing on immigrants).....	\$70 million
Primary Education Intervention (under Special Education) .....	\$50 million
College Completion Challenge Grants program.....	\$35 million
Middle School Teacher Training initiative .....	\$30 million
D.C. Resident Tuition Support program .....	\$17 million
Preparing for College initiative .....	\$15 million
Project SERV (School Emergency Response to Violence) .....	\$12 million
American Indian Teacher Corps Program .....	\$10 million
Software Development initiative .....	\$5 million

- ▶ Under the Administration's plan, in order to support these new programs, the President is requesting additional federal employees for the Department of Education. As part of his 2000 staffing request, the President is seeking an additional 43 (referred to as "full time equivalents" or "FTE"), bringing the total FTE in 2000 to 4,694. This level is 108 FTE above the 1998 level.
- ▶ Additionally, the President's budget proposes advance appropriations for discretionary programs in order to make room for increased spending under the discretionary spending caps. The President proposes to continue advance funding **Education for the Disadvantaged** and also proposes to advance fund a portion of funding for the **Individuals with Disabilities Education Act**.

#### Elementary and Secondary Education

- ▶ The President intends to continue his **Class Size Reduction Initiative** with \$1.4 billion for 2000, a \$200 million increase over 1999.
- ▶ For the **Individuals with Disabilities Education Act**, the Administration proposes \$5.5 billion, which is \$116 million above the 1999 level but includes an advance appropriation of \$1.9 billion, to be made available on October 1, 2001.
- ▶ For **Education for the Disadvantaged** the President proposes \$8.7 billion for 2000, an increase of \$364 million above the 1999 level. This level includes an advance appropriation of \$6.1 billion which would become available October 1, 2001.
- ▶ The President's budget proposes \$736 million for the **Impact Aid** program, which is \$128 million below the 1999 level. The President proposes to level fund this program through 2009.

- ▶ For **School Improvement Programs**, the President proposes \$2.7 billion, an \$89 million reduction from the 1999 level. Within this account, the President, again proposes to eliminate the **Innovative Education Program Strategies State Grants** funded at \$375 million.
- ▶ Within the Department of Education's research function, the President's budget proposes a substantial increase for the National Education Research Institutes within the **Office of Educational Research and Improvement**. Funding for 2000 would be \$108 million in 2000, an increase of \$45 million, or 42 percent. The purpose of this increase would be to fund very specific research objectives as determined by the Administration.

#### Postsecondary Education

- ▶ The President's Budget proposes modest increases, 4 percent, in student aid programs yet at the same time proposes more than a 35 percent reduction in student loan programs. Savings of \$4.6 billion are sought from the **Federal Family Education Loan Program (FFEL)**, the program of guaranteed student loans through which 70 percent of student loan borrowers participate. Interestingly enough, despite the reductions proposed for the FFEL program, and the fact that Direct Loan volume, relative to FFEL, is not projected to increase in the outyears, the President proposes significant increases in **Direct Loan** administrative expenses of \$117 million in 2000, a 19 percent increase. Reductions in FFEL include:
- ▶ The Administration proposes to reduce interest subsidy payments to lenders from 50 basis points to 20 basis points for loans funded through tax-exempt securities. In addition, the President proposes that lenders may not collect interest on delinquent loans beyond the 180th day of delinquency. Under current law, lenders must wait 270 days before they may file a default claim on a delinquent loan.
- ▶ Among other things, the Administration's budget would recall \$1.6 billion in **guarantee agency reserves**. Additionally, the President once again proposes reducing the **guarantee agency retention allowance**, which guarantee agencies receive as a result of collecting on defaulted loans, from 27 percent to 18.5 percent.
- ▶ The President's budget proposes to extend to the Department of Education the use of the National Directory of New Hires, a data base used by the Department of Health and Human Services to track down parents who are not paying child support. The data base would be used by Education to track down student loan defaulters. The Administration claims this proposal will save \$879 million in 2000. The Congressional Budget Office looked at this proposal last year and found it would save less than \$100 million.
- ▶ For spending increases, the President's budget proposes to extend the temporary lower interest rates for **Direct Consolidation Loans** scheduled to expire February 1, 1999 through December 30, 1999 at a cost of \$91 million. Despite the \$4.6 billion cuts to the FFEL program, however, the Administration does not propose to apply any of those

savings to lower rates for **FFEL Consolidation Loans**.

- ▶ The President proposes \$7.5 billion for **Pell Grants**, a \$241 million decrease compared to the 1999 level. The President proposes a maximum grant size of \$3,250. The current maximum award is \$3,125. The President is able to reduce funding for this program while at the same time increase the maximum grant award because the budget also assumes a surplus in the Pell Grant program of \$449 million, comprising unobligated balances from previous award years and based on projected program costs relative to appropriations from academic years 1998-99 and 99-2000.

#### Other Programs

- ▶ The President is reintroducing an expanded **School Construction Initiative**, through the tax code, subsidizing the issuance of \$22 billion in special 15 year bonds over the next two years. Revenue loss would total \$146 million in 2000 and \$3.7 billion over the next five years (see revenue section).
- ▶ The President continues his support for a number of educational tax relief provisions enacted as part of the 1997 Taxpayer Relief Act. Included among others are: the **Hope tax credit; Education Individual Retirement Accounts; Lifetime Learning Tax Credit; Deferral of State Prepaid Tuition Plans; and Exclusion of Employer-Provided Educational Assistance**. Additionally, the President's budget will propose that all borrowers be allowed to deduct from their taxable income the interest they pay on their student loans for the life of the loans (see revenue section).
- ▶ As part of the President's Child Care Initiative, the budget highlights a 200 percent increase in the **21st Century Community Learning Centers** afterschool program, bringing funding from \$200 million in 1999 to \$600 million in 2000.
- ▶ For **Training and Employment Services** within the **Department of Labor**, the President's budget proposes total funding of \$5.5 billion, a \$219 million, or 4 percent increase over the 1999 level. The President proposes to level fund this account through 2009.
- ▶ In order to provide additional discretionary spending, the President's Budget proposes two new fees through the Department of Labor. The **Alien Labor Certification Fee**, which has been proposed in the past, would increase revenues by \$65 million in 2000 and \$325 million over five years. Additionally, the President's budget proposes a fee on employers for administration of the **Work Opportunities Tax Credit** which would increase revenues by \$20 million in 2000 and \$100 million over five years.
- ▶ The Administration proposes \$440 million for the **Community Service Employment for Older Americans** program, the same as the 1999 level.
- ▶ For **Head Start**, within the **Department of Health and Human Services**, the President is requesting \$5.3 billion, an increase of \$607 million over the 1999 level.

- ▶ As part of the President's welfare initiative, the President is proposing \$1 billion in 2000 for the **Welfare to Work Block Grant** which was intended to be a two-year program and was set to expire at the end of fiscal year 1999. The President is proposing this funding, despite the fact that almost none of the \$3 billion already appropriated during the last two years has been drawn down by states.
- ▶ The President's Budget proposes an increase for the **Social Services Block Grant** (SSBG) of \$471 million over the 1999 level. This brings funding to the authorized level of \$2.4 billion for 2000. In the context of this proposal, the President proposes to limit States ability to transfer 10 percent of **TANF** funds to the SSBG program to 4.5 percent for savings of \$600 million in 2000. Additionally, the President assumes that funding **SSBG** will be reduced to \$1.7 billion in 2001 and remain at that level through 2009.
- ▶ The Administration's Budget proposes no funding for the following community services programs which, in total, were funded at \$54 million for 1999. The programs are **Community Economic Development, Community Food and Nutrition, National Youth Sports, and Rural Community Facilities**.
- ▶ For **National and Community Service Programs**, the President's budget proposes \$546 million, a \$99 million increase over the 1999 level. The President proposes to level fund this program through 2009.